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BCStats

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# Exports ◆ March 2011

- The value of British Columbia origin exports climbed 17.8% in the first quarter of 2011 compared to the first three months of 2010. Shipments to the United States, BC's largest export destination, edged up only 0.8%, but there were substantial increases in the value of exports to many other destinations, including Mainland China (+65.0%), Japan (+26.4%), South Korea (+52.7%), Taiwan (+75.7%) and the European Union (+24.3%).

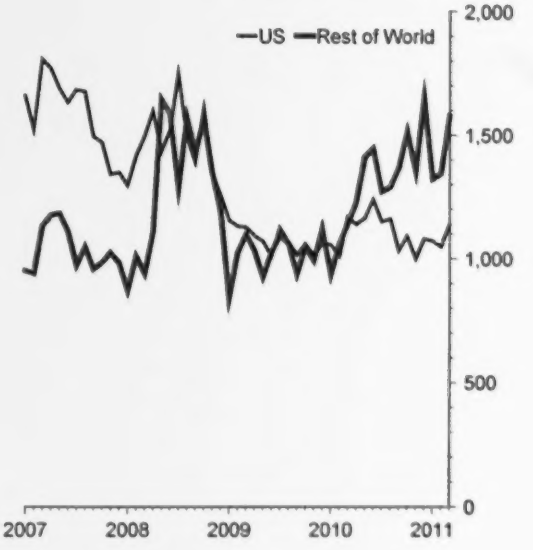
- Metallic mineral products continued to experience robust export growth. In the first quarter shipments of metallic mineral products climbed 34.4% compared to the same period a year earlier. A 69.5% jump in shipments of copper ores and concentrates was the main contributor to the growth, but exports of molybdenum ores and concentrates (+16.2%), unwrought zinc (+5.4%) and "other" metallic mineral products (+39.0%) also rose. Shipments of unwrought aluminum bucked the trend, falling 8.5%.

- The forest sector continued its recovery as solid wood exports jumped 17.2% and shipments of pulp and paper increased 17.9%. An 18.4% rise in shipments of softwood lumber was responsible for much of the increase in solid wood exports, but there was also strong growth in shipments of logs (+55.5%) and softwood plywood and veneer (+21.8%). In the pulp and paper sector, pulp (+29.8%) continued to drive most of the growth.

- Exports of energy products were 14.2% higher in the first quarter compared to the same period in 2010. The growth occurred despite a 48.3% drop in electricity exports and a 16.5% slump in shipments of natural gas. The decline in natural gas was entirely due to a fall in price as volumes shipped actually increased 12.4%. The increase in overall energy exports was driven mainly by a 37.4% jump in shipments of coal, but exports of "other" energy products also grew, climbing 28.9%. The rise in the value of coal shipments was completely the result of price inflation as quantities shipped actually fell 1.2%.

- Other commodity groups that saw strong growth in the first quarter included machinery and equipment (+12.0%), agriculture and food goods (+23.3%), fabricated metal products (+17.7%) and chemicals and chemical products (+20.0%).

While BC's exports to the US have been trending down over the last couple of years, the opposite is true for shipments to the rest of the world

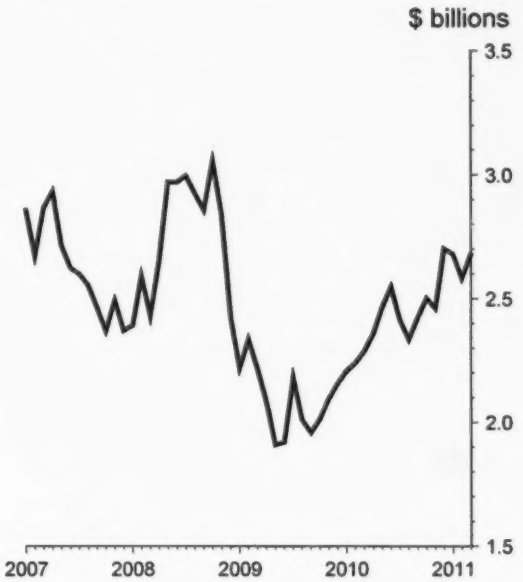


## SEASONALLY ADJUSTED EXPORTS

Seasonal adjustment supplies a means of making month-to-month comparisons by removing the regular periodic seasonal fluctuations that occur. Variations from normal seasonal patterns are revealed in the seasonally adjusted data series.

- BC's exports climbed 3.7% in March, rebounding from an identical drop a month earlier. The strongest growth was in exports of forest products (+10.7%) and industrial and consumer goods (+11.2%). However, energy product exports fell 6.4%.
- The overall growth occurred despite a 1.9% slump in exports to the United States, driven mainly by a 19.4% drop in energy exports. Shipments to the rest of the world grew 8.0% as growth of 15.4% in exports of forest products and 14.4% in shipments of industrial and consumer goods offset declines elsewhere.

Exports (adjusted for seasonality) rebounded in March




**BC Exports, Seasonally Adjusted ($Millions)**

| Month | Agriculture & Fish | Energy | Forest Products | Machinery& Equip, Auto | Industrial, Consumer | Total | Exports to USA |
|---|---|---|---|---|---|---|---|
| Mar 2009 | 201 | 623 | 594 | 274 | 523 | 2,216 | 1,101 |
| Apr | 194 | 580 | 603 | 268 | 436 | 2,081 | 1,054 |
| May | 196 | 491 | 555 | 273 | 395 | 1,910 | 1,054 |
| Jun | 193 | 484 | 554 | 255 | 433 | 1,920 | 989 |
| Jul | 206 | 622 | 585 | 271 | 495 | 2,180 | 1,048 |
| Aug | 175 | 517 | 593 | 252 | 475 | 2,012 | 1,012 |
| Sep | 163 | 502 | 590 | 227 | 478 | 1,959 | 1,018 |
| Oct | 180 | 488 | 582 | 248 | 517 | 2,015 | 1,037 |
| Nov | 176 | 517 | 601 | 250 | 550 | 2,095 | 1,086 |
| Dec | 176 | 578 | 607 | 252 | 544 | 2,157 | 1,080 |
| Jan 2010 | 179 | 620 | 654 | 260 | 495 | 2,208 | 1,108 |
| Feb | 197 | 573 | 685 | 244 | 541 | 2,240 | 1,073 |
| Mar | 194 | 605 | 667 | 257 | 565 | 2,288 | 1,132 |
| Apr | 187 | 641 | 711 | 263 | 556 | 2,359 | 1,119 |
| May | 186 | 703 | 734 | 261 | 582 | 2,465 | 1,147 |
| Jun | 187 | 763 | 780 | 272 | 544 | 2,547 | 1,208 |
| Jul | 196 | 727 | 715 | 271 | 506 | 2,415 | 1,095 |
| Aug | 207 | 631 | 692 | 267 | 539 | 2,335 | 1,111 |
| Sep | 226 | 731 | 687 | 277 | 503 | 2,424 | 1,040 |
| Oct | 211 | 665 | 748 | 273 | 606 | 2,502 | 1,071 |
| Nov | 200 | 625 | 752 | 276 | 607 | 2,461 | 1,069 |
| Dec | 205 | 755 | 795 | 294 | 653 | 2,702 | 1,114 |
| Jan 2011 | 196 | 686 | 782 | 277 | 739 | 2,680 | 1,132 |
| Feb | 190 | 721 | 755 | 287 | 629 | 2,582 | 1,110 |
| Mar | 193 | 674 | 835 | 276 | 700 | 2,678 | 1,088 |

# BC's Natural Gas Exports

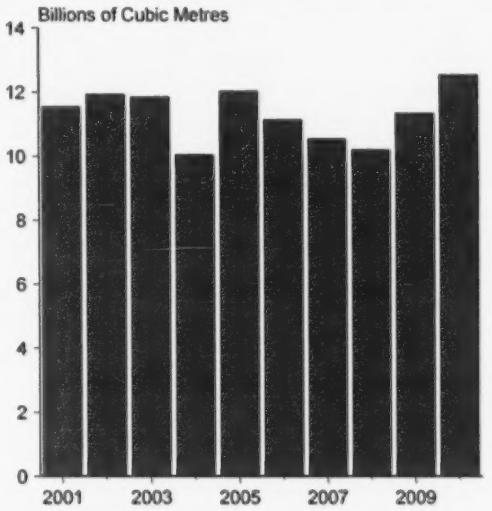
Natural gas has long been one of B.C.'s top exports, but in recent years, erratic pricing has affected the value of gas exported from the province. The quantity of natural gas exported from the province has shown some marginal fluctuations over the last decade, but on the whole, demand for B.C.'s natural gas has remained reasonably steady. However, due to some strong price swings, the value received for the natural gas exported from B.C. has undergone much more variation.

Natural gas prices spiked in 2005 when hurricanes Katrina and Rita disrupted the supply from the U.S. Gulf of Mexico. Prices fell for a couple of years after that before jumping up again in 2008 as record oil prices created demand for alternative energy supplies. In the last two years, prices have been trending down as new discoveries have increased the North American supply of gas and have created somewhat of a glut on the market.

Specifically, major discoveries of shale gas reserves, such as the one in the Horn River Basin in Northeast British Columbia, combined with technological improvements in extraction methods that have made it more economical to extract shale gas, have resulted in supply that exceeds the demand for gas in North America. Consequently, prices for natural gas have dropped sharply.

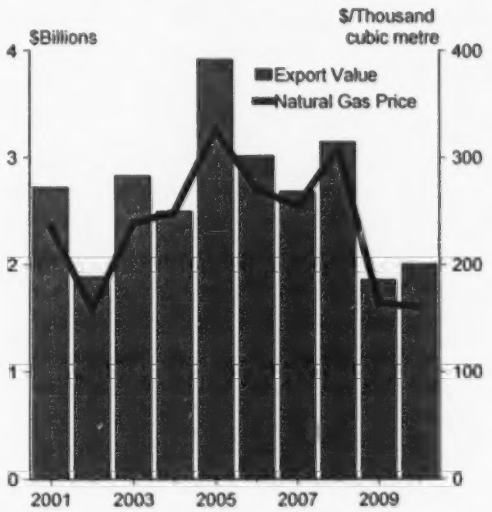
The problem for producers of natural gas is that in order to ship the commodity to destinations outside of North America, the gas has to first be liquefied. Currently, there is only one natural gas liquefaction facility in North America and that facility is set to close later this year.

The quantity of natural gas exported from BC has remained fairly steady over the last decade...




Source: Statistics Canada

...but the price of natural gas has varied significantly, which has affected the value of natural gas exports



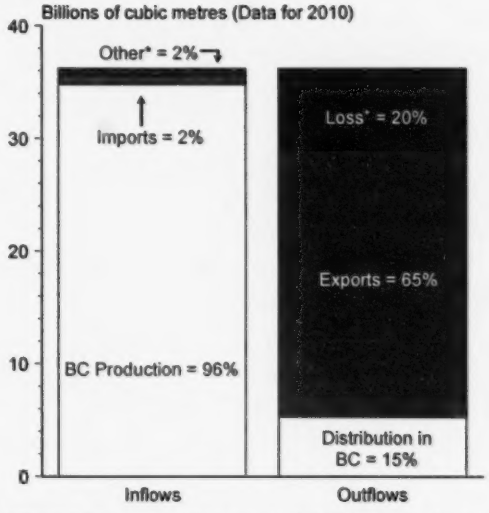

Source: Statistics Canada

The facility in Alaska is fairly small and serves mainly the Japanese market. The plan is to shut the plant down in August. The reason given for the closure is competition from other suppliers, particularly Australia and Malaysia, which has driven the price below that needed to remain profitable. Once this plant closes, there will be no liquefied natural gas (LNG) export facilities remaining in North America. There are currently several import facilities, which are designed to "re-gasify" LNG, but no other liquefying facilities outside of the one in Alaska.

There are plans to build a new facility in Louisiana, as well as one in Kitimat, on BC's north coast. The proposed plant in Kitimat would be fed via a pipeline from the gas fields in the northeast. At the Kitimat facility, the gas would be compressed into liquid form to enable ocean transport, mainly to destinations in Asia. If built, the Kitimat plant would be the only LNG export facility on the west coast of North America (assuming the closure of the Alaska facility proceeds as planned).

The addition of an LNG export facility would expand the markets available to BC producers of natural gas. Currently, all gas exported from the province is destined for either the United States or Alberta. In 2010, about 34.8 billion cubic metres of natural gas were produced in British Columbia with an additional 1.4 billion cubic metres attained from imports or other sources.[1] Approximately 20% of the total 36.2 billion cubic metres was lost in the field, the plant or during distribution and export. Only 15% of the gas was distributed within the province and remaining 65% was exported. About 58% of exports were to the United States, with the remainder piped to Alberta.

Most of the natural gas produced in BC is exported either to the United States or Alberta



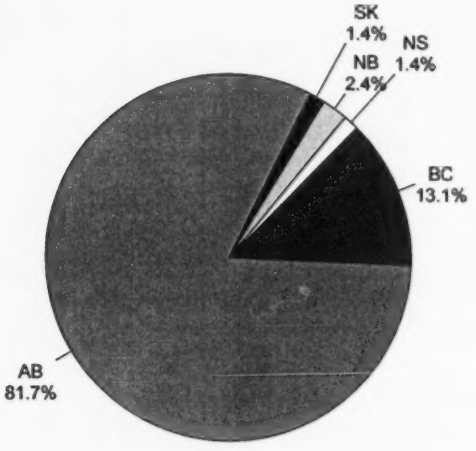

* Other includes gas retrieved from storage and other miscellaneous inputs
* Loss includes field losses (i.e., flaring & meter differences) and loss during distribution and export

Source: Ministry of Energy and Mines

Although a fairly large proportion of BC's gas is shipped there, Alberta is by far the most significant producer of natural gas in Canada. BC currently ranks well behind Alberta in terms of international exports (i.e., to the United States). In 2010, approximately 13% of the volume of natural gas exported to the US from Canada was sourced in British Columbia. Alberta was the source of most of the natural gas shipped to the US, with almost 82% of Canada's natural gas exports originating in that province. New Brunswick, Nova Scotia and Saskatchewan were responsible for just over 5% of the country's natural gas exports.

[1] The source of production and distribution data is the BC Ministry of Energy and Mines.

BC ranked a distant second to Alberta in terms of volume of natural gas exports to the US in 2010




Source: Statistics Canada

While an export facility in Kitimat would open up BC's markets for natural gas to overseas destinations and potentially increase the province's share of Canada's total natural gas exports, there is some question as to whether or not such a facility would be able to compete with other gas exporters.

The fact that the LNG facility in Alaska is shutting down because it cannot compete with offshore gas producers may give pause to the proponents of the Kitimat plant, but the initial planned capacity for the Kitimat operation is more than three times the size of the Alaska plant, with plans to double that capacity in the future. The greater size could give Kitimat LNG more power to negotiate higher contracted prices compared to the Alaska plant. Nevertheless, there is growing competition from overseas as Australia, already a significant player in the LNG market, has more facilities coming online in the next few years.

There are some demand pressures that could boost the case for a new facility in Kitimat. Specifically, the recent earthquake in Japan that damaged some of the country's nuclear power plants has increased the demand for LNG as a replacement fuel. The problems at Japan's nuclear plants could also renew opposition to nuclear power worldwide, which may cause a shift toward natural gas as an energy alternative.

In addition, China is looking to reduce greenhouse gas emissions by moving away from using coal and switching to natural gas. India is another country with growing demand for LNG. Given the huge population that these two countries represent, there is the potential for substantial growth in demand for natural gas, which would certainly work in favour of Kitimat LNG. The decision on whether or not to go ahead with the Kitimat LNG facility will likely be made before the end of the year.

Given the increased production of shale gas in the US and the likelihood that American demand for imported gas will drop as a result, there could be a significant decline in BC's natural gas exports. An export facility that will enable overseas transport could help offset some of the drop in exports to the US by opening up new markets for BC's natural gas.

## Recent Feature Articles in Exports Release
## Listed by Statistical Reference Date of Issue

**11-03** *BC's Natural Gas Exports* *(released May 2011)*

**11-02** *Gauging the Impact of Japan's Natural Disaster on BC's Exports* *(released April 2011)*

**11-01** *Year in Review: A Change in Direction for BC's Exports* *(released March 2011)*

**10-12** *The Impact of E-Commerce on BC's Trade* *(released February 2011)*

**10-11** *Canada and India Start Discussion on Free Trade* *(released January 2011)*

**10-10** *BC's Export Picture Has Improved Over the Last Year* *(released December 2010)*

**10-09** *The Buck Stops Where? Are We in a Global Currency War?* *(released November 2010)*

**10-08** *China Could be a Huge Market for BC Forest Products* *(released October 2010)*

**10-07** *What Could Japan's Economic Woes Mean for Trade with BC?* *(released September 2010)*

**10-06** *Fifty Years of BC Exports: 1959 - 2009* *(released August 2010)*

**10-05** *Canada Okays Controversial Trade Deal with Colombia* *(released July 2010)*

**10-04** *Canada Has Shown No Rush to Trade with Russia* *(released June 2010)*

**10-03** *Energy Fuels BC's Trade with Washington State* *(released May 2010)*

**10-02** *Economic Downturn Kept the Lid on Container Traffic in 2009* *(released April 2010)*

**10-01** *Stormy Weather: BC Exports in 2009's Economy* *(released March 2010)*

**09-12** *Provincial Export Comparison* *(released February 2010)*

**09-11** *BC's Exports to Oceania Watered Down in 2009* *(released January 2010)*

**09-10** *High Dollar Spurs Capital Investment* *(released December 2009)*

**09-09** *BC's Pulp and Paper Exporters Facing Challenges* *(released November 2009)*

**09-08** *China Continues to Buy BC Goods* *(released October 2009)*

**09-07** *Energy Exports are Powering Down...For Now* *(released September 2009)*

**09-06** *Adding Some Heat to Trade with India* *(released August 2009)*

**09-05** *Trade with the Other Americas* *(released July 2009)*

**09-04** *The State of Canada's Trade with the USA* *(released June 2009)*

**09-03** *British Columbia's Trade Balance Tipped in Favour of Imports* *(released May 2009)*

**09-02** *Fifteen Years of Free Trade with Mexico* *(released April 2009)*

**09-01** *Twenty Years of Free Trade with the United States* *(released March 2009)*

**08-12** *Canada Seeks Trade Deal with the European Union* *(released February 2009)*

## NOTES

### Countries Included Within World Regions:

**(1) Western Europe:** United Kingdom, Ireland, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland.

**(2) Eastern Europe:** other Europe, including all of Russia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, etc.

**(3) South East Asia:** Malaysia, Brunei Darussalam, Singapore, Myanmar, Kampuchea, Laos, Indonesia, Philippines, Thailand, Vietnam.

**(4) Africa:** continental Africa, excluding Ethiopia, Libya, Somalia, Sudan, Egypt.

**(5) South America:** continental South America from Colombia and Venezuela south to Chile and Argentina, including offshore islands, but not Caribbean.

**(6) Central America and Caribbean:** from Guatemala and Belize to Panama, plus Caribbean Islands.

**(7) Pacific Rim (including Japan):** Japan, Hong Kong, Malaysia, Brunei Darussalam, Singapore, Laos, Mongolia, China, Indonesia, North Korea, South Korea, Philippines, Macau, Taiwan, Thailand, Vietnam, Australia, Fiji, New Zealand.

**(8) Pacific Rim:** as above, but excluding Japan.

**(9) Middle East:** from Turkey and Iran south through the Arabian Peninsula. Excluding Afghanistan and Pakistan, but including Cyprus, Ethiopia, Egypt, Somalia, Sudan and Libya.

The **European Union** is the membership as of January 1, 2007: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

**'Selected Value-added Wood Products'** category includes prefabricated houses, doors, windows, furniture, moulding, siding, etc. It does not include panel products, shakes, shingles or any pulp and paper products.

### Revisions

Statistics Canada revises trade data for the previous three data years with release of the December data. The revision number is indicated in the footer of the tables (e.g., Rev 1 is the first annual revision, etc., and Prelim indicates it is the first release of data to December for that year). In addition to annual revisions, Statistics Canada revises the data for the previous data year every quarter (indicated in the footer by Rev Q1, etc) as well as with the release of the January and February data.

### Service Offered for Detailed Trade Statistics

For BC government statistics users requiring more detailed information on exports or imports, a special report service is offered through the address below:

**Dan Schrier**
**BC Stats**
P.O. Box 9410 Stn Prov Govt
Victoria, B.C. V8W 9V1
(250) 387-0376

This service is provided through the Trade Research and Inquiry Package (TRIP) computer reporting system. TRIP offers user-defined tabulations of export or import statistics for BC, Canada, the United States and other countries. Tabulations can include information on commodities, countries, US states, years, months, mode of transport, etc.